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24 October 1954

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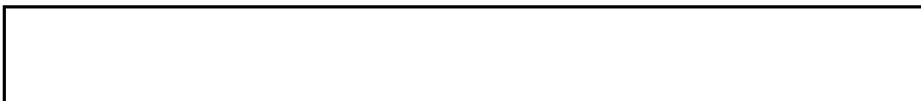
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## CURRENT INTELLIGENCE BULLETIN

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State Dept. review completed

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## SUMMARY

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**FAR EAST**

**1. Comment on results of Rhee-US meetings:**

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President Rhee rejected on 22 October the draft minute of understanding providing for Korean co-operation with the United States in a military-economic aid program. He presented a counterproposal which again sets forth, in extreme terms, all his previous demands on disputed points. Rhee's counterproposal is also an attempt to renegotiate many issues settled previously, while keeping everything the United States has granted him so far.

Rhee offered to accept American proposals on military force levels and aid levels for the current fiscal year and, subject to certain conditions, to keep his forces under operational control of the UN Command. However, he called on the United States to support the unification of Korea by force, made proposals on procurement which would disqualify Japan as a source of supply, insisted on maintaining the unrealistic 180-1 exchange rate, and demanded that all previous agreements be canceled, since--he said--during the war "Seoul had a tendency to sign anything regardless of the long-term effects." He offered to normalize relations with Japan, but at the same time he put forth conditions which he knows are unacceptable to Japan.

The deterioration in the ROK economy and in general US-ROK relations resulting from the impasse is already creating considerable public opposition to the president's stand, and his continued obstruction of the aid program may soon subject his leadership to one of its severest tests. Nevertheless, Rhee will now find it difficult to retreat without considerable loss of prestige, [REDACTED]

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Rhee's actions suggest that his objective is to seek another round of negotiations, perhaps with a new high-level American negotiator, at which he will bargain hard in hopes of gaining, at a minimum, face-saving concessions from Washington.

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**LATE ITEMS**

5. Comment on Soviet note of 23 October proposing four-power conference:

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The Soviet note of 23 October, calling for a four-power conference in November on German unity and free elections, the withdrawal of troops from Germany and the holding of a European security conference, adds nothing to the Soviet position spelled out in its notes of 24 July

and 4 August and in Molotov's Berlin speech of 6 October.

Ambassador Bohlen believes that the main purpose of the note is to give the impression that Moscow's position on Germany will be more flexible than it was at last winter's Berlin conference if the London agreements are not carried out. He notes that the USSR does not commit itself in the slightest degree to any new position.

The note repeats Molotov's recent Berlin statement that the USSR is willing to consider the Western proposals--along with its own--for free German elections, but it does not commit the Soviet Union to any specific election formula. It clings to the standard Soviet formula that agreement to unify Germany on a "peace-loving and democratic basis" is essential to agreement on elections, indicating continuing rigidity in Moscow's stand on this issue.

The proposal for an ambassadors' conference in Vienna on the Austrian treaty is a repetition of previous Moscow proposals; it ignores the Western and Austrian demand that a treaty must provide for the withdrawal of foreign troops, and therefore indicates no Soviet flexibility on this issue.

This note further emphasizes the Kremlin's belief that an offer to discuss any issue now, combined with its threat to block the settlement of basic issues if the London agreements are ratified, will be enough--for the present--to hamstring such ratification by stirring up a European demand for further talks with Moscow.

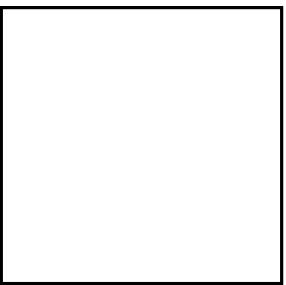
West German and French public opinion, although favorably disposed toward another try at four-power talks on Germany, will probably continue to be skeptical of Soviet motives. The West Germans regarded the 17 October East German elections as farcical, and probably will not believe that Moscow is ready to grant truly free all-German elections.

Just before this well-timed note was received, however, French premier Mendes-France told Secretary Dulles that he was "apprehensive as to the consequences of a formal Soviet proposal regarding Germany." The premier has referred publicly to the possibility of East-West negotiations on Germany proceeding "parallel" to Western moves on West German rearmament.

The Austrian government may indicate to the West that it favors new talks, at least on Austria, on the grounds that--after the signature of the London accords--Moscow may be more amenable to compromise.

6. Comment on changes in the Pakistani government:

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Governor General Ghulam Mohammad's dissolution of the Pakistani Constituent Assembly and dismissal of Prime Minister Mohammad Ali's cabinet on 24 October, immediately following the prime minister's return from the United States clearly indicates that the governor general is in command of the situation. His

action will presumably be upheld, since the chief justices of the Federal Court and High Court, to whom any protest would be made, are said to be loyal to him.

The fact that Mohammad Ali drove to a three-hour conference with Ghulam Mohammad immediately after landing at Karachi airport suggests that he will be allowed little communication with the dissident Moslem League group which, with his support, engineered the "coup" of 21 September. Mohammad Ali is probably being kept in office only because of the governor general's desire not to embarrass the United States.

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The new cabinet is heavily weighted with men loyal to the governor general. General Ayub Khan and Iskander Mirza, two of the three strongest members of the ruling clique, are natural choices for Defense and Interior Minister respectively.

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Commerce and Industry Minister Ispahani represents wealthy jute and business interests. The absence of former Interior Minister Gurmani is as yet unexplained, since he was loyal to the clique. Former Food and Industry Minister Qayum Khan, a leader of the dissident group, understandably is absent. H. S. Suhrawardy, opposition Awami League leader who was widely rumored due to be the next prime minister, will presumably have to settle for the chief ministership of East Bengal and the restoration of democratic government there.

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Ghulam Mohammad's action is unlikely to result in any civil disorder in the near future. Pakistan's foreign policy will remain pro-American.

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